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COUNTRY

USSR

REPORT

SUBJECT

Development Projects of Soviet
Economy Within the Next 15 Years

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(If applicable)

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The tasks of the Soviet economic development within the next 15 years, outlined by Khrushchev at the 40th anniversary of the October Revolution, indicate that the Soviets wish to catch up with the US per capita production in a number of industrial sectors and some important foodstuffs, but viewed as a whole, mainly to approach the US potential.

The attempt to step up industrial production at the same rapid rate as was provided for in the 6th five-year plan, and simultaneously to carry out extensive, and partly unrealistic development projects in housing construction and agriculture, exceeds Soviet efficiency. Even if in some fields the plan targets are fulfilled, the aggregate scheme will not be realized, and the main objective to catch up with and surpass the USA will be further postponed.

It must be borne in mind, however, that at the end of the development phase the USSR will have a considerably larger economic potential at its disposal and, along with this, greater flexibility than it has today.

In his speech on 6 November 1957, the occasion of the 40th anniversary of the October Revolution, Khrushchev praised the achievements in the economic build-up of the USSR during the last 40 years; at the same time he gave a survey on the tasks to be tackled within the coming years.

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Comment.

1. General Objective. The rapid development of Soviet industry in the past, which is regarded as outcome and at the same time as proof of the "Superiority of the Socialist Economic System", allows the Soviet leadership to anticipate a continuation in the future of the high rates of growth surpassing the West. Moscow let it be known, however, that the

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aim of the economic race, i.e. "to catch up with and surpass the highly-developed capitalist countries in percapita industrial production within an unprecedented short period", cannot be realized within the next 15 years. During this period, Soviet industry is only to approach the principal objectives, and to reach or surpass the present production level of the USA in a number of most important goods. Even if this planned volume of goods is produced, the USSR will with a few exceptions still lag behind the per-capita production of the USA after 15 years due to its larger population. (cf. annex 1).

By 1960-61, it is planned to catch up with the US per-capita output of meat and milk, while grain output during the same period is to approach the production level of the USA.

This development in the agricultural and industrial field is destined to broaden the Soviet basis for the economic fight against the West, and to give the USSR more and more flexibility to enhance its reputation.

In his speech Khrushchev disclosed concrete production targets for only a few basic products (cf. annex 2).

Missing are data in particular on development projects of processing industries, capital goods industries, and consumer goods industries for the individual sectors and all these industries taken together. Nevertheless, the details disclosed admit certain conclusions as to the plans for the entire development:

- a. It is planned to resume to a large extent and partly to intensify the rapid rate of development in the agricultural and industrial field as was provided for in the broken off 6th five-year plan.
- b. The stepped-up development will be increased in the individual industrial branches as a result of the high production level so far achieved; it will be reflected not so much in high rates of increase in terms of percentage, but in the high absolute growth (see annex 3).
- c. Industrial development remains focused on the capital goods industry, with a special emphasis on the rapid expansion of the power economy (electric energy, crude oil, gas), and certain sectors of the chemical industry (plastics, fertilizers), which in the past hampered economic development.
- d. Without impairing the development of heavy industry and armament, it is planned to step up output of consumer goods, particularly in the clothing sector (textiles, footwear) so as to raise the living standard more rapidly. In addition, the quality of consumer goods is to be improved considerably, unless the program is to amount to a mere skimming off of purchasing power. Other plans are under way according to which the housing shortage in the USSR is to be eliminated within the next 10 or 12 years by means of an

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extensive housing program, with private means employed on a large scale. With united efforts agricultural production is to be stepped up rapidly in order to assure a marked improvement of the supply situation of the Soviet people.

- c. The development program for the raw material and energy-rich Asian part of the USSR will be resumed. The plans within the individual industrial areas, as they have been in existence since 1 July 1957, will bring along a quicker realization and expansion of the program.
- f. In view of the high costs, and the insufficient growth in the labor force, which will last up to 1965, the rapid growth of productivity of the individual worker as well as of the economy as a whole is an important prerequisite for the execution of the entire program. In this connection it is planned to bring about further improvements in the administrative apparatus of the economy, rationalization (modernization, mechanization, and automation) of production technique, and a new arrangement regarding wages and working standards.

2. Objectives for Basic Industries

- a. In the field of power supply greatest emphasis is put on the development of efficient sources of energy, such as electricity, oil and gas. Coal output, on the other hand, is to be developed on a much smaller scale than previously, i.e. in proportion to the more economic consumption, and particularly in proportion to the speed at which the railroad system, which at present consumes about 30 percent of the total coal output, is electrified and dieselized.

This shift toward an increased consumption of electricity, oil, and gas will, in the long run, reduce the costs of energy (hauling costs for natural gas are 20 times, and of crude oil 3,5 times as small as those for coal output). For the moment, savings will be largely eaten up by the costs for the shift of the enterprises to new sources of energy.

In detail this looks as follows:

Soviet coal output has already reached a very high level (463 millions tons) even without taking the high share of lignite into account. The existing supply gaps are primarily due to the large coal requirements of the railroad, the uneconomic coal consumption of the Soviet economy, and the very small utilization of oil and gas. The electrification and dieselization of the railroad, the improvement of heating facilities in industry will help to ease

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the great demand for coal; this also explains the slight and easily realizable increase in coal output to 650 to 750 million tons planned for the next 15 years.

The increase of coal output will be chiefly brought about in the eastern parts of the USSR where costs of development and hauling are lowest. At the same time, however, the necessary consumers must be found in the East (Siberia, Kazakhstan).

Evidently largely impressed by US production figures, Moscow's longterm target in the field of crude oil production (350 to 400 million tons) is aimed at a considerable improvement of the supply with heating oil, but far exceeds future Soviet demand for engine fuel.

The realization of the hauling-plan, which presupposes a considerable rise of the previous rate of development, is quite possible viewed from the angle of given potentialities (exploration of important resources in the Volga-Urals district and in Central Asia). It will be very important, therefore, to expand industries for crude oil machinery and apparatus as well as to bring about an abnormally large increase in the production of pipes.

Soviet gas industry will be given priority in development within the next 15 years (target: 270 to 320 billion cbm). Since development so far has been very slow, rates of growth in terms of percentage will be higher in future than previously. The realization of this plan (beside the rising oil consumption) forms the prerequisite for the relatively small increase planned in the field of coal production. It is planned to raise the share of gas in the Soviet fuel balance-sheet from 4.1 percent in 1957 to more than 20 percent in the course of the next 15 years, while that of coal is to be reduced from 68 percent to 36 percent during the same period. This rapid development of the gas industry depends to a certain degree on the storage facilities. The main difficulties in realizing this program will be to meet the huge demand for pipes and apparatus, the production of which is limited due to the relatively small development of the Soviet iron and steel industry.

The planned increase in generation of electricity to 100 - 900 billion kw. within the next 15 years is intertwined with calculations which at the time formed the basis of the 6th five-year plan (1956 - 1960). These calculations provided for 320 billion kw. in 1960, 600 billion kw. in 1965, and as much as 1,000 billion kw. in 1970. In accordance with these targets the necessary expansion of the capacity in the field of construction of electric machines had been fixed for the 6th five-year plan.

By 1960, the power plants already under construction, and the development of new super turbines, generators, and transformers may satisfy the prerequisites for the realization of the longterm target of the next 15 years, which provides an annual increase in generation of electricity nearly 10 percent. Great priority is

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given to the construction of big power plants (thermal power plants with a capacity of up to 1.5 million kw, hydroelectric power plants with a capacity of 2 to 5 million kw.) with huge turbines (200 to 400 mw). Even without increasing capacity in the field of construction of electric machines (after 1960), or longer time of construction it will be possible, therefore, to step up generation of electricity of the power plants more rapidly than previously.

It will be possible, therefore, not only to eliminate the present shortage of energy in many parts of the USSR, but also to store energy, since along with the expansion of power plants, it is planned to expand the network of high-tension lines on a large scale all over the USSR.

- b. In the field of iron and steel producing industries greatest emphasis is put on the steeper output of iron ore which has been in a bottleneck, while pig-iron and steel production is only to rise at the same rate of growth as previously. The development of output of iron ore (target: 250 to 300 million tons) exceeds considerably the demand expected. With a future pig-iron production of 75 to 85 million tons, and ore supplies of approx. 30 million tons to satellite states, demand for ores amounts to 180-200 million tons. Moscow will find difficulties in selling the surplus of 70 to 100 million tons abroad. In spite of the large ore deposits in the USSR (one third of world deposits), the increase of ore output to 180 to 200 million tons already encounters difficulties in that mainly new and remote deposits in Siberia must be developed to attain this aim. From the point of view of demand and expansion, plans exceeding these targets are considered completely unrealistic. While there was a considerable increase in previous years, pig-iron and steel production now rises only slightly. This may be explained by the fact that the special possibilities for increasing production, in the form of improvements in technique and organization of the enterprises, have already been largely exhausted. Further increases in production depend, therefore, mainly on new construction of works, which in the past caused more than once delays and, as a result of this, losses in production. It is to be expected, therefore, that delays will occur in the future construction of plants (raw material deposits in partly undeveloped areas,

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admitting only a slight rise in pig-iron production.

The planned long-term target for steel production seems to be too high compared with the pig-iron production, and in view of the difficulties in the assessment of scrap.

Even if the production target is attained, demand for steel of the USSR may only be met, to a degree comparable with the USA, if the Soviets succeed in developing production of weight-saving, low-alloy quality steel far above average.

- c. Concerning chemical industry, no concrete data are available about its development, so that nothing can be said about the prospects of realizing the plans. Indications, however, show that:

1. Priority is given to a ("rapid") increase in the production of fertilizers to support the very comprehensive plans for the development of agriculture.
2. Development of production of plastics is to be stepped up to ease the drain on nonferrous metals, and to improve the raw material supply of the consumer goods industry.

- d. The development plans for the cement industry (90 to 100 million tons) evidently include the large building projects for the next few years, such as construction of hydroelectric power stations and other industries. The rates of growth of cement production have been fixed at a considerable higher level than in previous years. (4.8 instead of 2.7 million tons); they seem, however, realizable in view of the fact that in 1956 an increase of 4.1 million tons was already secured.

3. Targets set for the consumer goods industry

Plans for raising the living standard of the Soviet people, which the USSR hopes to be able to realize without impairing further development of heavy industry, machine construction, and home defense, include:

- a. elimination of the housing shortage within 10 or 12 years;
- b. Catching up with the US per-capita production of meat, milk, and butter within the next few years (until 1960/61);
- c. ample meeting of demand for textile materials and leather shoes within 5 to 7 years.

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The development of clothing industry within the next 15 years seems to be realizable on the scale planned (wollen materials: 550 to 650 million meters; Leather shoes: 600 to 700 million pairs). Similar, and even higher rates of growth were secured in previous years already. Considerable funds will have to be made available, however, for modernizing the hitherto largely neglected factories of consumer goods industry, and for the construction of new factories.

4. Agricultural targets

Current data on agricultural development show the following objectives:

- a. Adherence to the old plan of increasing grain output to 180 million tons until 1960. The efforts to be made for realizing this plan include, among other things, further development of virgin lands, particularly in the Urals and in Siberia, higher yields in the northern Caucasus, in the Ukrainian part of the Central Black-Earth district, and other parts of the country. The expansion of cultivated areas hitherto resulted in the neglect of intensifying agricultural output. Long-term plans also include steeper development of agriculture in the Far East.
- b. Increase in output of animal products according to plans mentioned above: Catching up with the US per-capita production of milk, meat and butter. This means that annual meat production should reach 20 to 21 million tons, and that of milk 70 million tons; the realization of this target till 1960/61 (according to plan) is regarded, however, as completely out of question. Present Soviet meat production amounts to a maximum of 5 million tons, and milk production to about 37 million tons.
- c. Cut in production costs of agricultural products, primarily by increasing productivity (it was planned to increase agricultural productivity by 100 percent (!) until 1960). Funds saved in this way are planned to benefit agriculture itself as well as consumers in form of price cuts. The main objective was to use these additional funds as an incentive for increasing output, but will never be realizable. The prerequisite for a settlement of the price problem (covering of production costs) satisfying the producer may be seen in more comprehensive measures which would, however, upset the whole wage and price structure. This structure is based to a large extent on the undervaluation of agricultural work.

5. Conclusion

- a. The economic development program put up by the USSR for the next 15 years shows that in the field of heavy industry broadly the same rate of development is to be achieved as was provided for

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in the 6th five-year plan. Even if the Soviets only wanted to catch up with the present US per-capita production, they would have to increase total industrial production by 8 percent annually for the next 15 years, in other terms, they would have to more than treble their present production. In addition to these extensive industrial programs, there are now large housing- construction and agricultural programs which were not contained in the 6th five-year plan. From the point of view of financing and procurement of labor force, these programs will put great pressure on the future development. A further strain will arise from the Soviet trade offensive in underdeveloped countries.

- b. While in some sectors of the economy the planned targets may be obtained, the unrealistic objectives (e.g. in the program of agriculture and partly for iron- and steel-producing industries) and the total plans cannot be realized.
- c. Even if the Soviets do not succeed in catching up with and surpass the US economic figures, it should be borne in mind that at the end of this phase of development, the USSR will have a considerably larger economic potential at its disposal, and along with it markedly greater flexibility than it has today.

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Annex 1

Output Per Capita

		USSR* in 15 years	USA 1956
Electric Power	kwh	3.400	4.000
Coal	t	2,8	2,8
Crude Oil	t	1,5	2,1
Gas	cubm	1.200	1.600
Pig Iron	t	0,32	0,4
Steel	t	0,44	0,61
Cement	t	0,40	0,32
Woolen Goods	m	2,0	1,76 (different structure of
Leather Shoes	pairs	2,60	3,45 (consumption, due to other fabrics also available)

* Computed from the respective average value of the planned targets and an estimated population of approx. 250 millions.

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Annex 2

Development of production in the USSR

		1950	1955	1957	Old Plan 1960	New Plan in 15 years	USA 1956
El. Power	billion kwh	91,2	170,1	210,0	320,0	800 - 900	864
Coal	million t	261,1	391,0	462,0	593,0	650 - 750	479
Crude Oil	million t	37,9	70,8	90,0	135,0	350 - 400	354
Gas	billion cubm	6,2	10,4	19,4*)	40,0	270 - 320	266,4
Iron Ore	million tons	39,7	71,9	84,0	114,3	250 - 300	98
Pig Iron	million t	19,2	33,3	37,0	53,0	75 - 85	69
Steel	million t	27,3	45,3	50,6	69,3	100 - 120	108,5
Cement	million t	10,2	22,5	29,0	55,0	90 - 110	54
Sugar	million t	2,5	3,4	4,5	6,5	9 - 10	2,3
Woollen Goods	million m	155,2	251,0	280,0	363,0	550 - 650	299
Leather Shoes	million pairs	203,4	274,5	325,0	420,0*)	600 - 700	386

*) Estimated

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Annex 2

Average Increase in Production per Annum

		1951 - 1957	Absolute Old Plan 1956 - 1960	Within the next 15 years*)	1951 1957	In Percent Old Plan 1956 - 1960	Within the next 15 years
El. Power	billion kwh	17,0	30,0	42,7	12,7	13,5	9,4
Coal	million tons	35,8	40,4	15,8	8,5	8,7	2,8
Crude Oil	million tons	8,6	12,9	18,5	14,5	13,8	9,4
Gas	billion cbm	1,9	5,9	18,4	17,7	30,9	19,9
Iron Ore	million tons	6,3	8,5	12,8	11,3	9,7	8,2
Pig Iron	million tons	2,5	3,9	2,9	9,8	9,7	5,3
Steel	million tons	3,4	4,6	3,9	9,3	8,6	5,3
Cement	million tons	2,7	6,5	4,8	16,1	19,6	6,5
Sugar	million tons	0,3	0,6	0,4	8,8	13,8	5,1
Woollen Material	million meters	17,8	22,4	21,3	8,8	7,7	5,2
Leather Shoes	million pairs	16,0	28,5	22,3	6,5	8,9	4,9

*) Computed from the respective average value of plan targets; where maximum values are used rates of growth are higher.

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